



December 17, 2010

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington D.C. 20551

The Honorable Timothy F. Geithner
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington D.C. 20220

Ms. Jennifer J. Johnson
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Board of Governors of the Federal Reserve
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20th Street and Constitution Avenue, NW
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Re: Proposed Amendments to Regulation Z
on Home-Secured Credit, Docket No. R-1390

Dear Sirs and Madam:

I am writing on behalf of Aon Integramark, a debt cancellation and debt suspension service provider for the lending industry. This letter is in response to the Proposed Rule revising the Regulation Z provisions regarding home-secured credit. Aon is requesting that the format, content and tone of the disclosures provided to consumers be revised to be more factually accurate and fair. While this letter refers to debt cancellation, our comments apply equally to debt suspension. In this letter, Aon will briefly summarize its concerns with the proposed revisions to Regulation Z, will explain debt cancellation products and practices and will outline in more detail issues of concern regarding the proposed revisions to Regulation Z and recommend revisions that will permit consumers to receive accurate and informative disclosures regarding debt cancellation. Aon is respectfully requesting the members of the Board of Governors of the Federal Reserve System to consider adopting the suggestions set forth herein.

I. Issues

A. Disclosures

The Board proposes new credit insurance and debt cancellation and suspension agreement disclosures. The proposed disclosures contain inaccurate product descriptions, require inappropriate statements, are potentially misleading and appear to be designed to drive the products from the marketplace. Aon supports the goal of effective disclosures that provide consumers with relevant factual information and requests that the disclosure requirements be revised as outlined below to provide consumers the information needed to make an informed choice. See Part III.

B. Eligibility

The Board proposes to require the creditor to determine prior to or at the time of enrollment that the consumer meets any applicable age or employment criteria to exclude the charge for debt cancellation from the finance charge. Aon believes there are various practical problems with this approach and suggests that the Board consider adopting the approach taken in the Office of the Comptroller of the Currency Debt Cancellation Regulation. Alternatively, Aon suggests that such eligibility requirements be disclosed to consumers prior to enrollment. Aon explains these recommendations below and comments on the related proposed staff commentary regarding eligibility. See Part IV.

C. Finance Charge

The Board proposes a total finance charge concept for closed-end credit secured by a consumer's dwelling that incorporates all fees paid by consumers or imposed by the creditor as included in the finance charge. Under the 2009 proposal incorporated by reference in the 2010 proposal, the finance charge exclusion for debt cancellation in Section 226.4 would no longer apply to closed-end mortgage loans. Debt cancellation is an optional purchase and provides benefits without reference to other coverage. Adding optional debt cancellation charges to the finance charge calculation artificially inflates the APR and confuses comparison of the true cost of credit. Aon requests that optional debt cancellation charges paid on a monthly basis not be included in the finance charge for the reasons explained below. See Part V.

D. Subsequent Disclosures

The Board proposes to revise Section 226.20 regarding subsequent disclosures on closed-end home-secured credit. Under the proposal, new disclosures would be required when an existing creditor modifies a closed-end home-secured loan by, among other actions, imposing a fee in connection with the agreement to modify or increasing the periodic payment. Aon requests clarification that the purchase of debt cancellation on a closed-end home-secured loan would not require new disclosures. See Part VI.

E. Other Revisions

The Board proposes various other revisions to the definition of finance charge as it relates to debt cancellation. These revisions include extending the telephone sales rule to open-end home-secured credit. Aon suggests that the telephone sales rule be extended to closed-end credit as well. Aon takes this opportunity to request that the Board consider expanding the types of debt cancellation protection that can be excluded from the finance charge. See Part VII.

F. Consumer Testing

The Board states that some of the proposed revisions to the debt cancellation disclosure requirements are based on consumer testing. After reviewing the *Summary of Findings: Design and Testing of Periodic Statements for Home Equity Lines of Credit, Disclosures about Changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products* released with the proposed rule, Aon does not believe that the study is justification for the proposed revisions to the disclosures for the reasons explained below. See Part VIII.

II. Current Debt Cancellation Products and Practices

Debt cancellation and debt suspension involve the charging of a fee by the lender pursuant to an agreement by the lender not to collect the loan in the case of debt cancellation or to suspend collection of the loan in the case of debt suspension upon death, disability or other agreed upon event of the debtor.

The purchase of debt cancellation or debt suspension by the consumer is optional. Debt cancellation or debt suspension can be cancelled at any time and any unearned charge is refunded. Industry practice, consistent with the OCC Debt Cancellation Regulation required long form disclosures (*see* Sections 37.7(b)(3) and (c)(3) of the OCC Debt Cancellation Regulation), is to allow a 30 day “free look” period that provides a full refund upon cancellation.

Debt cancellation and debt suspension provide a benefit without reference to any other coverage the consumer may have. Debt cancellation and debt suspension do not subrogate insurance benefits, are not forced-placed and are intended to match the loan balance at every point in the loan history. The charge is based on the outstanding balance of the loan, so the consumer is paying for exactly what is needed to cover the loan obligation. Debt cancellation and debt suspension protection increases when the outstanding balance of the loan increases and decreases when the outstanding balance of the loan decreases.

Debt Cancellation is a legitimate loan product that lenders offer and consumers may purchase. As of August 31, 2010, approximately 8.4 million of Aon’s lender clients’ customers voluntarily purchased the protections provided under debt cancellation products. For the twelve month period beginning September 1, 2009 and ending August 31, 2010, Aon’s clients approved approximately 76,000 separate requests for debt cancellation protection benefits resulting in the cancellation of approximately \$50.3 million of protected consumer debt.

III. Content of Disclosures

A. **Disclosures Generally**

The Board proposes to rewrite the content requirements of the disclosures required to exclude the cost of voluntary debt cancellation from the finance charge. These disclosure requirements are cross referenced in Sections 226.6, 226.18 and 226.38. Aon supports accurate disclosures that assist consumers in understanding the product features. Aon supports disclosure of the optional nature of the product, supports a statement advising the consumer to review the disclosures and, for non-telephonic sales of debt cancellation protection, supports the use of a checkbox with a signature or initials to indicate the consumer's desire to purchase the product.

The Board has exceeded its authority and/or altered its role under the Truth in Lending Act (TILA), 15 U.S.C. §§ 1601 *et seq.*, in proposing the disclosures which are set out in R-1390. TILA clearly sets forth the fees and charges that are to be excluded from the finance charge and resulting APR. This includes credit insurance if certain conditions are satisfied, which by extension applies to debt cancellation products, as explained in subsection (b):

(b) Life, accident, or health insurance premiums included in finance charge.

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges **unless:**

- (1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and
- (2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

15 U.S.C. § 1605(b).

This statutory provision sets forth the clear intent of Congress to exclude credit insurance premiums/debt cancellation product fees from the APR if the above requirements are met. This section of TILA effectively sets forth the disclosures required. While TILA sets forth the disclosure requirements under the statute, Section 1604(a) of TILA generally authorizes the Board to make adjustments and exceptions to TILA to “effectuate the statute’s purposes, to prevent circumvention or evasion of the statute, or to facilitate compliance with the statute.” 15 U.S.C. §§ 1601(a), 1604(a).

The Board cites this authority when justifying its expansion of the disclosures. According to the Board, it is relying on the “voluntariness” standard cited in the statute. In other words, in order to exclude premiums and fees from the APR, the product must be purchased on a “voluntary” basis. The Board states that the product is not purchased on a voluntary basis if, for example, a consumer enrolls in protection for which they are not qualified; or if a consumer does not know that there are “less



expensive" alternatives; or a consumer is unaware that there are eligibility requirements at claim/benefit time. Therefore, the Board argues, it holds the statutory authority to expand the disclosure requirements to avoid these scenarios.

However, the language of the statute does not use the word "voluntary." It states that the existence/nonexistence of coverage/protection must not be a factor in the approval by the creditor of the extension of credit. Whether a consumer is eligible for coverage/protection under all or a portion of bundled coverages/protections at enrollment or at claim time, or whether there are other less expensive alternatives in the marketplace, have nothing to do with whether the coverage/protection was a factor in a creditor's loan approval. As such, Section 1604(a) does not provide the Board with the authority to expand the disclosures as proposed under R-1390.

Aon objects to certain elements of the proposed new debt cancellation disclosures as outlined below. Aon will discuss both the required content and the language of model clauses. Aon believes the disclosures are inaccurate, misleading and appear to be designed to drive the debt cancellation product out of the marketplace. As evidence of an intent underlying the proposed disclosures, the *Summary of Findings: Design and Testing of Periodic Statements for Home Equity Lines of Credit, Disclosures about Changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products* released by the Board with the proposed rule finds that 7 of 10 participants in the Arizona testing would not buy the product after reading the new disclosures proposed by the Board. Aon will explain in detail its concern with certain requirements in the new disclosures and suggest revisions to make the disclosures more accurate and helpful to consumers.

As an alternative to the proposed disclosures, Aon recommends that Regulation Z adopt the approach taken by the OCC in its Debt Cancellation Regulation and adopted by the rest of the industry on a voluntary basis as "Best Practices." See 12 C.F.R. Part 37. The OCC Debt Cancellation Regulation provides for "short form" up-front disclosures, followed by "long form" disclosures and includes a 30 day "free look" period in which consumers can review the details of the program and cancel debt cancellation at no cost. See Appendix A and B.

The references in paragraphs B through H below are to the proposed disclosure requirements for credit insurance which are incorporated by reference in the debt cancellation disclosure requirements.

B. Section 226.4(d)(1)(i)(C) – Web Site

Revised Section 226.4(d)(1)(i)(C) would require the creditor to provide the following disclosure:

"A statement that the consumer may visit the Web site of the Federal Reserve Board to learn more about the product, and a reference to that Web site."

Aon is concerned about the content of the Web site. Given the negative and misleading nature of the proposed model disclosures, Aon is concerned about the tone and accuracy of any web site to which consumers are directed. Thus, Aon objects to a reference to a web site in the debt cancellation disclosures until more information is provided on the content of the web site.



C. Section 226.4(d)(1)(i)(D)(1) and (2) – Need for the Product and Other Insurance

Revised Section 226.4(d)(1)(i)(D)(1) and (2) would require the creditor to provide the following disclosure:

- (1) A statement that if the consumer already has enough insurance or savings to pay off or make payments on the debt if a covered event occurs, the consumer may not need the product;
- (2) A statement that other types of insurance can give the consumer similar benefits and are often less expensive;

Aon believes these two statements are both misleading and inappropriate in a Board required consumer notice. These requirements illustrate the negative tone of the entire notice with an apparent goal of driving the debt cancellation product out of the marketplace. The goal of the disclosures should be to describe accurately and factually the material features of the product being offered to consumers, as juxtaposed against an apparent goal of providing financial advice that is reflective of a negative perception and misunderstanding of debt cancellation protection. The disclosures should not speculate about other insurance the consumer may or may not have, and whether such insurance may or may not provide similar benefits and may or may not cost more.

Debt cancellation provides a unique benefit limited to a loan balance that is not duplicated by an ability to pay the debt out of other savings or the existence of other forms of insurance. Additionally, there are many consumers without other forms of insurance, without access to certain forms of insurance (e.g. group disability/involuntary unemployment is not generally available) or who can only obtain traditional insurance at higher rates and coverage amounts well in excess of the outstanding and unique amount of debt, making these statements completely false as to many consumers. Also, individual life policies designate a beneficiary, and that beneficiary in most cases has no legal obligation, nor incentive, to pay off the deceased's loans. Even if no beneficiary is designated in an individual policy so that the proceeds become an asset of the estate, an estate would have to be opened and probated prior to a potential pay off a decedent's loan obligation(s).

Other consumers may decide that for the price and the convenience of enrollment (no health examinations/most enrollments occur when a consumer is most aware of a risk related to an inability to repay a credit), debt cancellation protection is worthwhile regardless of the existence of other insurance or savings the consumer may have. "Do I need this product" is a personal decision for each consumer that involves many factors. Thus, these two disclosures are inappropriate and should be removed from the proposal in their entirety.

Aon is unaware of any other product in the market place that is required to provide consumers with a federally mandated disclosure titled "Do I need this product?" followed by totally negative statements about the product, which may or may not be relevant as to any particular consumer? The form, content and tone of the required disclosures are unprecedented.

D. Section 226.4(d)(1)(i)(D)(3) – Maximum Charges

Revised Section 226.4(d)(1)(i)(D)(3) would require the creditor to provide the following disclosure:

- (3) A statement of the maximum premium or charge per period, together with a statement that the cost depends on the consumer's balance or interest rate, as applicable;

This is a misleading and speculative disclosure on open-end credit products. This requirement compels disclosure of the charge per period if consumers were to use their entire credit limit each month. Thus, this is likely to be a high number that the consumer never is required to pay. Please note that with respect to Aon's clients' customers during the period September 1, 2009 to August 31, 2010, the average loan balance was approximately \$1,017 with an approximate credit limit of \$10,000. Under most debt cancellation agreements, the credit limit also serves as the limit on debt cancellation benefits. Thus, as applied to Aon's clients' customers, and under the proposed disclosure, a debt cancellation agreement would include a statement of a debt cancellation fee that is 10 times greater than the actual average fee paid by those consumers over a recent twelve month period.

There is a pragmatic issue with compliance with this proposed disclosure on the sale of debt cancellation products on open-end credit. Most enrollments in debt cancellation agreements occur at the time that a consumer also applies for the credit. A credit limit, which also serves as the limit on debt cancellation protection benefits, cannot be established until a consumer's credit is vetted and approved. Thus, a creditor is not able to identify a maximum debt cancellation fee and make the proposed required disclosure at the time of a customer's enrollment in a debt cancellation agreement.

This disclosure, consistent with the other proposed required disclosures, appears designed to discourage consumers from purchasing a legitimate and beneficial product by scaring and confusing the consumer with the disclosure of a misleadingly high cost. On open-end credit a unit-cost disclosure is more accurate and discloses a realistic number. The maximum charge disclosure is appropriate on closed-end credit only as it represents an actual versus a theoretical product fee, although a statement that the cost per month will decrease as the loan balance decreases would make the disclosure more accurate and informative for consumers.

E. Section 226.4(d)(1)(i)(D)(4) – Maximum Benefit

Revised Section 226.4(d)(1)(i)(D)(4) would require the creditor to provide the following disclosure:

- (4) A statement of the maximum benefit amount, together with a statement that the consumer will be responsible for any balance due above the maximum benefit amount, as applicable;



This disclosure implies an incongruence between debt cancellation maximum benefit amount and credit limits in dollar amount, when in fact debt cancellation on an open-end credit generally protects the entire account balance for the life of the loan. This disclosure requirement should be revised to make it clear that the requirement applies only to products that cover less than the entire credit balance or less than the life of the loan, which is more characteristic of a closed-end loan.

There is a pragmatic issue with compliance with this proposed disclosure on the sale of debt cancellation products on open-end credit. Most enrollments in debt cancellation agreements occur at the time that a consumer also applies for the credit. A credit limit, which also serves as the limit on debt cancellation protection benefits, cannot be established until a consumer's credit is vetted and approved. Thus, a creditor is not able to identify a maximum debt cancellation benefit amount and make the proposed required disclosure at the time of a customer's enrollment in a debt cancellation agreement.

The use of the word "only" throughout the proposed model disclosures is another illustration of the negative tone of the entire model disclosures. As an example, rather than the factual statement "This product covers the first \$50,000 of the outstanding balance," the model language reads "This product *only* covers the first \$50,000 of the outstanding balance." (emphasis added). Aon's view is that the Board's use of negative qualitative verbiage throughout the proposed disclosures is inappropriate and inconsistent with the Board's presumed product-neutral role.

F. Section 226.4(d)(1)(i)(D)(5), (6) – Eligibility

Revised Section 226.4(d)(1)(i)(D)(5) and (6) would require the creditor to provide the following disclosure:

- (5) A statement that the consumer meets the age and employment eligibility requirements, as required under paragraph (d)(1)(ii) of this section;
- (6) If there are other eligibility requirements in addition to age and employment, a statement in bold, underlined text that the consumer may not receive any benefits even if the consumer purchases the product, together with a statement that there are other requirements that the consumer may not meet and that, if the consumer does not meet these requirements, the consumer will not receive any benefits even if the consumer purchases the product and pays the periodic premium or charge; and

Aon supports a statement alerting consumers to the existence of eligibility requirements. Aon supports the OCC approach of alerting consumers of eligibility requirements and advising consumers to review the full program disclosures (*see* both the long and short form disclosures required by the OCC Debt Cancellation Regulation). Aon also would support a statement that informs the consumer of the age and employment eligibility requirements, assuming a particular debt cancellation product has such requirements, such as "you must be under 65 years of age to be eligible to receive debt cancellation life protection" or "you must currently be employed full time in a non-seasonal job to be eligible for



unemployment debt cancellation protection.” Please note that Aon is unaware of any age limits on any debt cancellation agreements on open-end credit.

Aon objects to the model disclosures implementing these requirements that are both misleading and inaccurate and appear designed to discourage consumers from purchasing the product. The proposed model language contains negative statements that may or may not apply to a consumer. The disclosure starts with the bold underlined statement “**You may not receive any benefits even if you buy this product.**” This is, obviously, a very negative statement designed to discourage the purchase of the product. The statement will be completely inapplicable to most consumers in regard to most debt cancellation products. Thus, the statement is both misleading and inaccurate as to the majority of consumers. Debt cancellation has minimal eligibility requirements and most consumers satisfy the minimal requirements. For example, life protection does not apply to people over a certain age (applicable to closed end credit, primarily), employment and disability protection require that the individual hold a full time job and not be disabled at the time of purchase of the protections. These are basic eligibility requirements that are satisfied by most consumers, making the bold underlined disclosure misleading and inaccurate, and unnecessarily detrimental to a potential sale and purchase of a debt cancellation product by a consumer who qualifies and desires the product.

The last sentence of the proposed model disclosure after the sentence alerting the consumer to the existence of other eligibility requirements reads “If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly charge.” This statement is duplicative of the above bold underlined statement (further evidence of a negative intent towards debt cancellation products) and, again, this statement is misleading and inaccurate as to the majority of consumers who satisfy the minimal requirements necessary to be eligible for debt cancellation.

Aon recommends that the bold underlined statement be deleted and the last sentence of the model disclosure regarding eligibility be deleted. Aon recommends replacing these deleted statements with either a reference to review the full program disclosure for eligibility, such as the currently deployed OCC disclosures, and/or a brief description of the age and employment eligibility. Rather than attempting to persuade consumers from purchasing debt cancellation products with negative statements that do not apply to most consumers, the required disclosures should provide consumers with useful and accurate information on which the consumer can make a decision whether to purchase debt cancellation.

Aon will discuss the eligibility determination requirement in Part IV below.

G. Section 226.4(d)(1)(D)(7) – Time Period and Age

Revised Section 226.4(d)(1)(i)(D)(7) would require the creditor to provide the following disclosure:

- (7) A statement of the time period and age limit for coverage;

This disclosure, if applicable at all, is repetitive of the maximum benefit and the eligibility requirement related to age. As stated in E above, debt cancellation on open-end credit generally applies for the life of the loan. If not, any time limit on protection would be disclosed under item (4) above.



Regarding age limit, age is an eligibility issue dealt with in item (5) above. Thus, this requirement should be deleted as it is already addressed in other disclosure requirements.

H. Section 226.4(d)(1)(i)(E) – Checkbox

Revised Section 226.4(d)(1)(i)(E) would require the creditor to provide the following:

- (E) A checkbox and a statement that the consumer wants to purchase the optional product, together with a statement of the maximum premium or charge per period

Aon supports the use of a checkbox in the appropriate sales channels to indicate the consumer's desire to purchase debt cancellation. Aon objects to the repetitive requirement that the maximum charge be restated next to the checkbox. First, the maximum charge is required to be stated under item (3) above. The disclosure should not be so long and complicated that items have to be restated. Second, as explained in (3) above, a statement of a maximum debt cancellation fee/charge is a misleading concept in the context of open-end credit and is not an appropriate, accurate or clarifying disclosure. Aon requests that the second part of the proposed disclosure dealing with maximum charge be deleted.

I. Summary of recommendations to content disclosures

As explained above, Aon suggests that the following proposed disclosure requirements be deleted: 226.4(d)(1)(i)(C) regarding the web site reference, 226.4(d)(1)(i)(D)(1) regarding need for the product, 226.4(d)(1)(i)(2) regarding other insurance and 226.4(d)(1)(i)(D)(7) regarding time period and age. Aon suggests that the following proposed disclosure requirements be revised: 226.4(d)(1)(i)(D)(3) regarding maximum charges, 226.4(d)(1)(i)(D)(4) regarding maximum benefit, 226.4(d)(1)(i)(D)(5) and (6) regarding eligibility and 226.4(d)(1)(i)(E) regarding the check box.

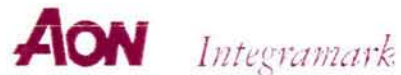
J. Appendices G and H – Model Disclosures

Model language appears in Appendix G-16(A) to (D) for open-end credit and Appendix H-17(A) to (D) for closed-end credit. Aon objects to certain of the proposed disclosures as explained in detail above. Aon supports accurate and informative consumer disclosures. Aon supports the use of a tabular question and answer format.

IV. Eligibility – 226.4(d)(3)(ii)

A. Eligibility Determination

In addition to the disclosure requirements outlined above, under the proposal, to exclude the charge for debt cancellation from the finance charge, the creditor would be required to determine prior to or at the time of enrollment that the consumer meets any applicable age or employment criteria for the debt cancellation product.



It is beyond the scope of TILA for the Board to link lender determination of borrower eligibility for protections under a debt cancellation agreement to exclusion of the fee for a debt cancellation agreement from the finance charge, particularly if a lender satisfies the requirements of Section 1605(b) of TILA. Further, it is our view that a requirement to include the fee for a debt cancellation agreement in the finance charge for failing to determine a consumer's age/employment eligibility is draconian, particularly in light of the consumer's eligibility for the other protections available under a debt cancellation agreement that provides multiple protections.

Aon does not believe that it is appropriate for a determination of consumer age or employment status to be made prior to enrollment based on the way in which such transactions typically occur. Aon supports the procedure established in the OCC Debt Cancellation Regulation. In the alternative, Aon recommends that any age and employment eligibility criteria be disclosed to the consumer as explained in IV.B below.

The OCC Debt Cancellation Regulation allows a consumer time to review the debt cancellation plan materials and make their own eligibility determination. The OCC Debt Cancellation Regulation acknowledges the fact that the sale of debt cancellation is often conducted over the telephone and through "take-one" applications. Such transactions do not necessarily involve any communication with a "loan officer" or an employee of the creditor. Moreover, those who assist consumers with telephone and take-one enrollments in debt cancellation agreements do not have access to a consumer's credit application or confidential personal information including date of birth and employment information. Thus, rather than requiring an eligibility determination prior to enrollment, pursuant to the OCC Debt Cancellation Regulation, a customer may enroll in the debt cancellation product after receiving certain required disclosures, including (i) that additional information will be provided before the consumer will be required to pay, (ii) there are eligibility requirements and (iii) the consumer should read the additional information carefully (the required short form disclosures). Within three business days of enrollment the consumer must be mailed the eligibility requirements, conditions and exclusions (the required long form disclosures). The consumer is then given 30 days from the date of mailing of the disclosures containing eligibility requirements to cancel the debt cancellation without incurring a fee.

The above procedure is required for national banks, but is the practice used by most creditors (the Office of Thrift Supervision, National Credit Union Administration and many state banking departments have adopted the OCC Debt Cancellation Regulation as best practices) for debt cancellation solicitations.

The OCC determined that such a procedure protects consumers by giving them a chance to review the debt cancellation disclosures, including eligibility, at home and then cancel the debt cancellation if after reviewing the plan the consumer no longer desires the product or the consumer is ineligible for the protections provided by a debt cancellation agreement. If the consumer cancels the debt cancellation within the 30 day time period, no fee is incurred. Consumers may cancel because they read the eligibility requirements and determine they are ineligible for a protection or they may simply change their mind.

The OCC has established a reasonable and rational system that protects consumers and allows them time in the privacy of their homes to review eligibility issues and the entire plan. The OCC

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procedure gives consumers more protection and respects consumers' privacy by allowing cancellation within 30 days of mailing of the disclosures without incurring any charges.

There is no need for a determination of a consumer's age with respect to enrollment in a debt cancellation agreement sold in connection with a revolving credit agreement. Aon is unaware that there are any age limitations in any debt cancellation agreement that is sold in connection with a revolving credit card account.

There are practical obstacles to determining a consumer's eligibility for employment-related debt cancellation protection(s), particularly if the solicitation and enrollment occurs telephonically. There are typically multiple exclusions associated with Involuntary Unemployment protection (e.g. part-time employment, self-employment, seasonal employment, employment by a family member, etc.), which are best understood (definitions/descriptions of the standard employment protection exclusions vary by product) and applied by a consumer upon reading the actual debt cancellation agreement during the minimum 30 day free look period (long form disclosures as prescribed by the OCC Debt Cancellation Regulation). Additionally, a consumer may be ineligible at the time of enrollment for an employment related protection but may become eligible post-enrollment. Under the Board's proposal that over emphasizes determination of eligibility for a single protection, viz. involuntary unemployment, a consumer, if ineligible for involuntary unemployment at enrollment, may be led to their detriment to ignore their eligibility for the remaining protections in a bundled product, or to ignore the fact that they may become eligible for employment-related protection post-enrollment. Further, Aon would recommend to the Board that it consider a requirement that bundled debt cancellation protection products provide alternative, equivalent and automatic protection(s) without an effect on the fee to consumers who are or become ineligible for a 'primary' protection within the product. This solution, in our view, is superior to the Board's apparent policy that a consumer must be eligible for all protections and, if not, then the lender must include the fee in the finance charge or the lender must completely unbundle the protections so that they can be purchased individually. As noted below in Subsection IV.C.2., a requirement to unbundle protections is actuarially unsound and will only hurt consumers.

B. Amplified Disclosure of Eligibility Requirements

As an amplification of the OCC required Short-Form Disclosures discussed in A above, Aon supports a revised requirement that places an increased emphasis on eligibility for protection under the required disclosures at the time of enrollment. This would protect the consumers' privacy because no invasive questions would be asked, and it would avoid an unnecessary lengthy disclosure of all of the eligibility conditions for each of the protections, which vary by loan channel and lender product. . Upon receipt of the Long Form Disclosures, a consumer could review all of the eligibility requirements for each of the protections, including any age, employment or disability requirements and compare the requirements to the consumer's personal situation. Aon would support an enhanced statement in the required disclosures that informs the consumer of the existence and effect of eligibility requirements, if applicable, such as **"There are eligibility requirements, such as maximum age and minimum employment requirements, along with exclusions that may prevent you from receiving benefits under one or more of the Plan's protected events. It is extremely important that you read the Eligibility requirements and Exclusions listed in the Debt Cancellation Agreement carefully when you receive it from us."**

C. Commentary on Eligibility

1. Reasonable Evidence

If the proposed requirement is retained requiring an eligibility determination regarding age and employment prior to the sale, Aon requests clarification of “reasonably reliable evidence” as used in Comment 14 to Section 226.4(d). The examples in Comment 14 include information on the consumer’s credit application. Aon would request that “or credit protection product application” be added to clarify that the question may be posed in the context of the credit or credit protection product application. To protect customer privacy and the legally mandated protection of consumer non public personal information, implemented in part by the use of internal firewalls, individuals processing the debt cancellation application may not be permitted access to the full customer credit application.

2. Bundled Products

In Comment 14 to Section 226.4(d), it provides that if a consumer is ineligible for a portion of a bundled product, the creditor must treat the entire charge as part of the finance charge or unbundle the product (allow the consumer to select a portion of the bundled product). Aon requests that the last sentence of Comment 14 regarding bundled products be deleted, for the reasons outlined below.

This comment indicates an unfortunate lack of understanding of the consumer benefits of a debt cancellation product with bundled protections. The benefits of such a product to the consumer are the low cost of the product and limited eligibility requirements. The bundled product is offered at a minimal cost to cover a variety of events. The cost is kept low because of the large number of consumers in the “bundled” protected group and the minimal qualifying criteria and overhead costs. The product cannot be unbundled and maintain the same efficiencies which, in turn, results in a less expensive product for consumers, particularly those consumers who are in a high-risk category. While an older person who is retired may qualify for the life protection but not the unemployment protection because of their retirement status, that older retiree is not required to submit to a medical exam or provide additional documentation and pays the same rate for bundled protections as the younger person. Similarly, the younger employed person pays the same rate for bundled protection, including unemployment, as the retiree. The bundled protection product places high risk groups in the same risk pool resulting in reduced rates. The debt cancellation charges and protections are structured based on past experience with a particular set of criteria. Offering individual protections to high risk individuals would likely lead to an unaffordable product for those same individual consumers.

The Consumer Credit Industry Association commissioned a Study of Claim Costs by Age and the Effect of Bundling On Credit Card Debt Protection Products (“Study”) which was prepared by Christopher Hause, FSA, MAA, and by Robert W. Busby, FSA, MAAA. A copy of that Study is attached as Appendix C. The Study includes the following observations:

- Benefit costs increase with age and are actually higher after an assumed retirement age of 65. Therefore, it is beneficial to older-age consumers to include advanced age borrowers in a risk pool with younger borrowers, rather than creating a risk pool comprised of

advanced age borrowers only.

- Benefit costs for all of the bundled Plan protections collectively are flatter by age than life protection only and life protection combined with hospitalization benefits. Therefore, it is the preferred practice and consistent with the stated Sound Design and Pricing principles to include both younger and advanced age borrowers (65 plus) in a multiple protections risk pool, rather than segregating borrowers in a single protection high risk pool involving life/hospitalization protection only.
- Retired borrowers of advanced age (65 plus) receive greater amounts of life and hospitalization benefits than younger borrowers of working age. Therefore, it is the preferred practice and consistent with the stated Sound Design and Pricing principles to include both advanced age and younger borrowers of working age in a risk pool for life and hospitalization protections.
- Younger borrowers of working age receive greater amounts of disability, unemployment and family leave benefits than retired borrowers of advanced age (65 plus). Therefore, it is the preferred practice and consistent with the stated Sound Design and Pricing principles to include both advanced age and younger borrowers of working age in a risk pool for disability, unemployment and family leave protections.
- Higher benefit costs means higher costs of credit protection for a borrower. Therefore, to achieve the lowest optimal cost to a borrower for credit protection, bundling of protections is the preferred practice and consistent with the stated Sound Design and Pricing principles.

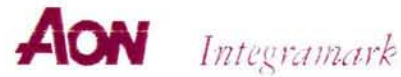
Aon supports informing the consumer of the protections included in the bundled product, any eligibility requirements and the cost of the protection. The consumer can then make an informed choice as to whether it is a product that makes sense for the consumer to purchase. Additionally, if the required disclosures are provided and the product is voluntary, the charge should meet the requirement for exclusion from the finance charge if the consumer voluntarily chooses to purchase the product. All debt cancellation products on all credit cards bundle a variety of protections.

Based on the foregoing, Aon requests that the last sentence of Comment 14 regarding bundled products be deleted. Bundling of protections clearly provides consumers with needed protections at a reduced cost.

Alternatively, rather than an elimination of bundled protection debt cancellation products, which provide affordable and market-unique protections to high-risk consumers, Aon would support an appropriate disclosure that draws a consumer's attention to a possibility that they may not be eligible for all of the protections within a bundled product. For example, such a disclosure may provide: **"Please note that you may be eligible for some but not all of the protections under [name of credit protection product]."**

V. Finance Charge

In the 2009 proposed revisions, the Board proposed to add new Section 226.4(g) to include debt cancellation charges in the finance charge for all closed-end transactions secured by real estate or a



dwelling. This proposal would have a negative effect on these consumer transactions as the true cost of credit would be obscured from the consumer.

As stated above, under the TILA, 15 U.S.C. §1605(b), charges for credit life, accident or health insurance written in connection with any consumer credit transaction are specifically excluded from the finance charge if (i) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and (ii) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof. Debt cancellation is indistinguishable from credit insurance from the consumer's perspective. Thus, the express exclusion from the finance charge in TILA for credit insurance if certain conditions are satisfied should apply equally to debt cancellation when these same conditions are satisfied. This is illustrated by the current definition of finance charge in Section 226.4 that treats credit insurance and debt cancellation the same. The inclusion of voluntarily debt cancellation charges in the finance charge does not advance TILA's purpose of enabling consumers to compare more readily the various credit terms available to them.

In regard to the 2009 proposed rule, the commentary states, "The Board believes that Congress did not anticipate how such unbundling [of required mortgage fees] would undermine the purposes of TILA, when it enacted the exceptions." The example cited is document preparation fees as an income source, excluded from the finance charge. Optional debt cancellation products paid on a monthly basis do not create the same concerns as required mortgage fees.

The purpose of TILA is contained in 15 U.S.C § 1601(a), which states, "It is the purpose of this subchapter to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit, and to protect the consumer against inaccurate and unfair credit billing and credit card practices." The inclusion of voluntarily purchased debt cancellation charges in the finance charge does not advance this purpose, because debt cancellation is not part of the cost of credit and the extension of credit does not depend on the purchase of debt cancellation. Inclusion of debt cancellation charges in the finance charge only serves to act as a de facto prohibition against the products.

Debt cancellation product fees on closed- and open-end transactions secured by real estate are always paid on a monthly basis (the rate, like open-end credit, is assessed on the monthly outstanding balance on a mortgage) and can be cancelled at any time. Aon requests that the proposed rule specifically exclude voluntary debt cancellation charges calculated and paid on a monthly basis from the proposed requirement to include debt cancellation charges in the finance charge for all closed-end transactions secured by real property or a dwelling. Aon suggests that the proposed rule at Section 226.4 (g) state: "This paragraph (g) shall not apply to voluntary credit insurance premiums, or debt cancellation or suspension products, calculated and paid on a monthly basis."

The Board does not possess the legal authority to contradict the plain language of TILA. Incorporating into Regulation Z the exact opposite of what TILA sets forth goes beyond "adjustments and exceptions" to the statute. If an all-inclusive approach to the APR with respect to all closed-end transactions secured by real estate or a dwelling is to be effectuated, it should be effectuated by

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Congress' amendment of the statute, not by regulatory fiat by the Board. By the Board's own admission, it has encouraged Congress to adopt such an approach, and Congress has declined to do so. The Board should not now be doing via rulemaking what it could not accomplish by lobbying Congress. This goes beyond the Board's exemption and exception authority.

Parenthetically, Aon points out that in June of 2004 the Federal National Mortgage Association (FNMA) effectively prevented the sale of debt cancellation products on the majority of mortgages with its adoption of onerous required Debt Cancellation Mortgage Feature Terms and Conditions Guidelines. Many home foreclosures over the past six years may have been prevented had homeowners had access to debt cancellation protections, including unemployment and disability protections. It is contrary to the goal of consumer protection for the Board to adopt a policy like the policy FNMA adopted in 2004 that would effectively prevent the sale of debt cancellation protections in mortgage markets.

VI. Subsequent Disclosures

The Board proposes to revise Section 226.20(a) regarding subsequent disclosures on closed-end home-secured credit. The proposal creates a new provision regarding modification to mortgage terms and provides that a new transaction, requiring new TILA disclosures, would occur when the same creditor and the consumer agree to change certain terms of an existing closed-end home-secured loan. The Board acknowledges that the proposal would increase significantly the number of modifications that are new transactions.

Under the proposal, when existing parties to a mortgage transaction agree to modify certain terms, the creditor would have to give the consumer a completely new set of TILA disclosures. Proposed Section 226.20(a)(1)(i) provides that a new transaction results, and new disclosures are required, when the same creditor and same consumer modify an existing obligation by:

- (1) Increasing the loan amount;
- (2) Imposing a fee on the consumer in connection with the agreement to modify an existing legal obligation, regardless of whether the fee is reflected in an agreement between the parties;
- (3) Changing the loan term;
- (4) Changing the interest rate;
- (5) Increasing the periodic payment amount;
- (6) Adding an adjustable-rate feature or other risk factor identified in proposed Section 226.38(d)(1)(iii) or 226.38(d)(2), such as a prepayment penalty or negative amortization;
or
- (7) Adding new collateral that is a dwelling or real property.



Regarding item (2), the proposed comment provides that fees imposed on the consumer in connection with the agreement include any fee that the consumer pays out-of-pocket or from loan proceeds. The proposed comment provides as examples of fees under Section 226.20(a)(1)(i)(B) points, underwriting fees and new insurance premiums.

Aon requests that a Comment be added under Section 226.20(a) to clarify that debt cancellation offered on a closed-end home-secured loan after consummation that is payable on a monthly basis as a percentage of the monthly outstanding balance and that can be cancelled by the consumer at any point is not a new transaction and does not trigger the new disclosure requirements of Section 226.20(a). The requested Comment will permit the sale of debt cancellation agreements on closed-end home-secured loans after such a loan is closed without the making of redundant and unnecessary TILA disclosures.

VII. Other Items

A. Telephone Sales – 226.4(d)(4)

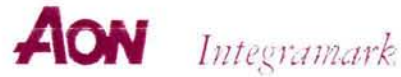
The Board proposes to extend the telephone sales rule for credit insurance and debt cancellation, as adopted in the January 2009 revisions to Regulation Z applicable to open-end non-real estate secured credit, to open-end home-secured credit. Under the proposal Section 226.4(d)(4) would be amended to apply to all open-end credit, not only open-end non-home secured credit. In the explanation to the proposed revision the Board states that the proposed telephone sales rule contains safeguards to ensure that the purchase is voluntary. The procedures in Section 226.4(d)(4) require that the creditor maintain evidence of the consumer's oral election to purchase coverage and require the creditor to mail the required disclosures within three business days after the telephone purchase. 12 C.F.R. § 226.4(d)(4). Aon requests that the telephone sales rule apply equally to open-end and closed-end credit. Although it is more common to engage in telephone sales on open-end credit, as the rule contains sufficient safeguards, the rule should apply to closed-end credit as well.

B. Scope of Protection – 226.4(d)(3)

The exclusion of debt cancellation charges from the finance charge is based on 15 U.S.C. § 1605(b) of TILA, which provides:

Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charges unless

- (1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and
- (2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.



Regulation Z provides that the exclusion from finance charge applies to “debt cancellation or debt suspension coverage in the event of the loss of life, health, or income or in case of accident.” 12 C.F.R. § 226.4(d)(3). The Board has previously considered this provision and proposes no change.

Comparing the statute, “credit life, accident or health insurance,” and the regulation covering debt cancellation coverage that provides for cancellation of all or part of a debtor’s liability “in the event of the loss of life, health, or income or in case of accident,” illustrates that the regulation has expanded on the statute to include similar products.

The OCC Debt Cancellation Regulation defines debt cancellation as a loan term or contractual arrangement modifying loan terms under which a bank agrees to cancel all or part of a customer's obligation to repay an extension of credit from that bank upon the occurrence of a specified event. 12 C.F.R. § 37.2(f). Thus, the OCC regulation does not limit the specified events. The OCC Debt Cancellation Regulation and Regulation Z debt cancellation provision should be consistent in their coverage.

There is no rational reason to exclude only debt cancellation fees tied to certain events from the finance charge. As lenders are offering additional forms of debt cancellation, these products should be treated consistently with other forms of debt cancellation protection. The ability of lenders to offer debt cancellation to cover events that impair a borrower’s ability to repay a loan, but are not covered under traditional credit insurance policies (divorce, childbirth, family leave of absence) is one of the benefits of debt cancellation. This is the appropriate time to bring Regulation Z into conformity with the market place. All debt cancellation fees that meet the disclosure requirements should be excluded from the finance charge.

Aon recommends that Section 226.4(d)(3) be revised to remove the phrase “in the event of the loss of life, health, or income or in case of an accident,” so that the provision applies to all forms of debt cancellation protections. The recommended revision will make the Regulation Z provision on debt cancellation consistent with the OCC Debt Cancellation Regulation and the practices in the marketplace.

VIII. Consumer Testing

A. Study Summary

The Board has stated that some of the proposed revisions to the debt cancellation disclosure requirements are based on consumer testing. After reviewing the *Summary of Findings: Design and Testing of Periodic Statements for Home Equity Lines of Credit, Disclosures about Changes to Home Equity Line Credit Limits, and Disclosures about Credit Protection Products* prepared by ICF Macro and released by the Board with the proposed rule, Aon concludes that the study does not support the proposed revisions to the disclosures.

Aon requested that Message Factors, Inc., a marketing research firm, review and evaluate the study summary prepared by ICF Macro and released by the Board. See Appendix D. The firm had the following comments in regard to the model disclosures used in the study and the overall validity of the study.

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B. Disclosure format

The disclosure format is not balanced. For example, the first line of model disclosure form CI-1 reading “**STOP: You do not have to buy this product to get this line of credit**” pre-disposes respondents negatively to the rest of the message. This wording stands out because it contains bolded, capitalized and underlined letters, suggesting that this component is particularly important.

The first bullet point of model disclosure form CI-1 reading “If you already have enough life insurance or savings to pay off this debt, you may not need this product” is potentially misleading. Possible other sources of funds to pay off the loan should not be indicated as this is a factual matter that will differ for each person. The second bullet point of model disclosure form CI-1 reading “Other types of life insurance can give you similar benefits and are often less expensive” is redundant of the first bullet point.

The introduction to the third bullet point of model disclosure form CI-1 reading “**Note that you may not qualify for benefits if you buy this product**” is both capitalized and underlined. The entire sentence is ambiguous, vague, too general to be understood and factually unsound. The apparent point of this proposed required disclosure is that a consumer should not buy this product unless there are one or more protections for which they are eligible for a benefit. It is an understatement to suggest that this disclosure is in artfully drawn. The current language suggests that a consumer may be ineligible for all of the protections. Aon cannot conceive of a bundled debt cancellation product for which a consumer would be ineligible for all of the protections, yet that is the message of this disclosure. Assuming that Aon understands the intent of the Board with this proposed disclosure, we recommend substituting the following disclosure language that was crafted by the OCC as part of its Debt Cancellation Regulation: “There are eligibility requirements, conditions and exclusions that could prevent you from receiving benefits. You should carefully read the contract for a full explanation of the terms.” 12 CFR Part 37 App. A (Short Form Disclosures), App. B (Long Form Disclosures). The OCC disclosure refers a consumer to the debt cancellation agreement thereby creating context for consumer understanding of the protections and related eligibility requirements, conditions and exclusions vis-à-vis the bare proposed Board disclosure that is incomplete and does not assist in consumer understanding.

Similarly, posing the question “Am I eligible for credit life insurance?” in Form CI-2 is misleading. The issue for the consumer is and should be instead “will I benefit from credit life insurance.” This concept of the value of credit life insurance needs to be explained in sufficient detail in the disclosure for the consumer to make an informed choice.

C. Questions and Methods

The claim is made in the study that “only half of the participants understood that their benefits would be capped.” There is no documentation for this statement. The study questionnaire for recruitment was included in the summary; however the questionnaire for the interviews were not included in the summary. Nor were the actual responses to all questions disclosed. It is difficult to



evaluate the validity of the study summary without reviewing specifically the actual questions asked and the complete responses.

According to the summary, respondents were given the disclosure and asked to review and give a qualitative reaction, to think aloud. The respondents were asked to indicate whether they found “anything surprising, interesting or confusing.” Using such words in the study is leading the respondent. It is not a common practice to suggest reactions to an open-ended (qualitative) question. Thus, the responses are not valid. A neutral question would have been to ask respondents to indicate components they did not understand.

In the study, ICF Macro states that “seven of ten participants indicated they would not buy the product.” In the context of the study, this is not a valid question for the respondents because a description of the product was not complete and more importantly was not balanced. Consumers cannot make a truly informed decision without a complete and balanced understanding of the product.

Additionally, those interviewed also are not qualified to make the judgment “would you buy this product “as they are not” in the market.” The only respondents qualified to know what information is needed to evaluate whether to purchase the product are consumers in a real decision making situation (these respondents were not).

Finally, the question “would you buy the product” does not contribute to the major objective of this study, which is measuring comprehension of disclosures.

Regarding the sample, in general a small sample of qualified respondents (usually a minimum of 15) is acceptable for measuring comprehension. However, the sample population interviewed for the study was a highly stratified sample. It is not clear that the respondent criterion used to select respondents represents the credit insurance buyer profile, casting more doubt on the validity of the study.

D. Conclusion Regarding Study

The study should not serve as the basis for required consumer disclosures as the study is biased and designed to support a predetermined result. A balance study testing consumer understanding of credit protection products and using accepted methodology should be used to develop balanced disclosures that enhance consumer understanding and decision making.



Aon Ingrammark appreciates the opportunity to comment on the proposal and the Board's consideration of this comment letter as part of the Board's proposed revisions to Regulation Z.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Tom Ostenson".

Tom Ostenson
Executive Vice President & General Counsel

cc: Elizabeth L. Anstaett, Esq.
Darrell L. Dreher, Esq.

APPENDIX A
OCC DEBT CANCELLATION REGULATION
SHORT FORM DISCLOSURES

This product is optional

Your purchase of [PRODUCT NAME] is optional. Whether or not you purchase [PRODUCT NAME] will not affect your application for credit or the terms of any existing credit agreement you have with the bank.

Lump sum payment of fee

[Applicable if a bank offers the option to pay the fee in a single payment]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

You may choose to pay the fee in a single lump sum or in [monthly/quarterly] payments. Adding the lump sum of the fee to the amount you borrow will increase the cost of [PRODUCT NAME].

Lump sum payment of fee with no refund

[Applicable if a bank offers the option to pay the fee in a single payment for a no-refund DCC]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

You may choose [PRODUCT NAME] with a refund provision or without a refund provision. Prices of refund and no-refund products are likely to differ.

Refund of fee paid in lump sum

[Applicable where the customer pays the fee in a single payment and the fee is added to the amount borrowed]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

[Either:] (1) You may cancel [PRODUCT NAME] at any time and receive a refund; or (2) You may cancel [PRODUCT NAME] within _____ days and receive a full refund; or (3) If you cancel [PRODUCT NAME] you will not receive a refund.

Additional disclosures

We will give you additional information before you are required to pay for [PRODUCT NAME]. [If applicable]: This information will include a copy of the contract containing the terms of [PRODUCT NAME].

Eligibility requirements, conditions, and exclusions

There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under [PRODUCT NAME].

[Either:] You should carefully read our additional information for a full explanation of the terms of [PRODUCT NAME] or You should carefully read the contract for a full explanation of the terms of [PRODUCT NAME].

APPENDIX B
OCC DEBT CANCELLATION REGULATION
LONG FORM DISCLOSURES

This product is optional

Your purchase of [PRODUCT NAME] is optional. Whether or not you purchase [PRODUCT NAME] will not affect your application for credit or the terms of any existing credit agreement you have with the bank.

Explanation of debt suspension agreement

[Applicable if the contract has a debt suspension feature]

If [PRODUCT NAME] is activated, your duty to pay the loan principal and interest to the bank is only suspended. You must fully repay the loan after the period of suspension has expired. [If applicable]: This includes interest accumulated during the period of suspension.

Amount of fee

[For closed-end credit]: The total fee for [PRODUCT NAME] is _____.

[For open-end credit, either:] (1) The monthly fee for [PRODUCT NAME] is based on your account balance each month multiplied by the unit-cost, which is _____; or (2) The formula used to compute the fee is _____].

Lump sum payment of fee

[Applicable if a bank offers the option to pay the fee in a single payment]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

You may choose to pay the fee in a single lump sum or in [monthly/quarterly] payments. Adding the lump sum of the fee to the amount you borrow will increase the cost of [PRODUCT NAME].

Lump sum payment of fee with no refund

[Applicable if a bank offers the option to pay the fee in a single payment for a no-refund DCC]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

You have the option to purchase [PRODUCT NAME] that includes a refund of the unearned portion of the fee if you terminate the contract or prepay the loan in full prior to the scheduled termination date. Prices of refund and no-refund products may differ.

Refund of fee paid in lump sum

[Applicable where the customer pays the fee in a single payment and the fee is added to the amount borrowed]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

[Either:] (1) You may cancel [PRODUCT NAME] at any time and receive a refund; or (2) You may cancel [PRODUCT NAME] within _____ days and receive a full refund; or (3) If you cancel [PRODUCT NAME] you will not receive a refund.

Use of card or credit line restricted

[Applicable if the contract restricts use of card or credit line when customer activates protection]

If [PRODUCT NAME] is activated, you will be unable to incur additional charges on the credit card or use the credit line.

Termination of [PRODUCT NAME]

[Either]: (1) You have no right to cancel [PRODUCT NAME]; or (2) You have the right to cancel [PRODUCT NAME] in the following circumstances: _____.

[And either]: (1) The bank has no right to cancel [PRODUCT NAME]; or (2) The bank has the right to cancel [PRODUCT NAME] in the following circumstances: _____.

Eligibility requirements, conditions, and exclusions

There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under [PRODUCT NAME].

[Either]: (1) The following is a summary of the eligibility requirements, conditions, and exclusions. [The bank provides a summary of any eligibility requirements, conditions, and exclusions]; or (2) You may find a complete explanation of the eligibility requirements, conditions, and exclusions in paragraphs _____ of the [PRODUCT NAME] agreement.